Distr.
GENERAL

IDB.14/SR.7
26 July 1995

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Fourteenth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 29 June 1995, at 10 a.m.

President: Mrs. OK (Turkey)

CONTENTS

Agenda item		*Paragraphs*
10	Industrial cooperation and consultations (including economic and technical cooperation among developing countries and implementation of General Assembly resolution 47/153)	1 - 16
11	Operational activities for development (General Assembly resolution 47/199, para. 51)	
12	Industrial investment promotion	17 - 28
13	Personnel matters (a) United Nations Joint Staff Pension Fund (b) Women in the Secretariat	
14	Headquarters agreement between UNIDO and the Republic of Austria	29 - 51
15	Administrative matters: Joint Inspection Unit	
16	Matters related to intergovernmental, non-governmental, governmental and other organizations	
17	Preparations for the sixth session of the General Conference	52 - 62

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted *within seven days of the receipt of the record or of the closure of the session*, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued shortly after the end of the session.

V.95 56227 (E) (b:\1995\pmo.11)

Distr.: 31 July 1995

The meeting was called to order at 10.30 a.m.

INDUSTRIAL COOPERATION AND CONSULTATIONS (INCLUDING ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES AND IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153) (IDB.14/17, IDB.14/24)

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.14/22)

1. **Mr. PISKOUNOV** (Managing Director, Human Resource, Enterprise and Private Sector Development Division), introducing the recommendations for follow-up action by UNIDO to the World Summit for Social Development (IDB.14/24), said that the Programme of Action adopted at the Summit called upon the United Nations agencies to give greater emphasis to the goals of poverty eradication, productive employment and social integration. UNIDO had followed up that call by requesting UNDP Resident Representatives and UNIDO Country Directors to ensure that social development was addressed at the field level. Efforts were also being made to integrate social development into the programme development process. In that connection, UNIDO had recently co-hosted with the Government of Botswana a private sector forum which had been attended by representatives of the African private sector, non-governmental organizations and interested United Nations agencies. Since assistance to Africa and the least developed countries was a priority theme of the Organization, UNIDO had at the forum made concrete recommendations for strengthening the African private sector and linking industrialization with social development through upgrading of skills and generation of employment.

2. The Secretariat was considering projects designed to generate employment at the grass-roots level, targeting youth and women, with special attention to rural areas in the least developed countries and countries undergoing economic hardship as a result of global competitiveness and inflation. Projects that fell specifically within UNIDO's field of competence would be considered for financing from the Organization's own resources. In addition, the Human Resources Development Programme had been geared to address social issues in specific ways. For example, a survey was being launched to assess replicable models of human resources development practices having an impact on community-based integrated industrial projects and on efforts by big business corporations to meet the training needs of women and young people and to integrate marginalized social groups.

3. **Mr. VENKATARAMAN** (Managing Director, Investment and Technology Promotion Division) said that he would confine his remarks to economic and technical cooperation among developing countries (ECDC/TCDC) since the subject of consultations as such was not before the Board at the present session. It should be noted, however, that the staff and programmes relating to consultations had been streamlined and reorganized and that the work programme was being actively implemented. The Director-General's report (IDB.14/17) described the implementation of earlier recommendations by the General Conference and the Board relating to ECDC/TCDC, which was an integral part of the work of various divisions. Some new directions were being given to the ECDC/TCDC programme, which could more accurately be called the "industrial cooperation among developing countries" programme. It was proposed to give sharper focus to enterprise-level activities, in particular investment and technology cooperation. In cooperation with subregional and regional organizations, the emphasis would be on strengthening and enhancing agreed activities that were already being implemented. ECDC/TCDC would have an important role to play in helping the least developed countries, particularly in human resource development and small-scale industry. It was proposed to use cooperation among developing countries as an instrument for sensitization and exchange of experience on issues of emerging importance, such as biodiversity. UNIDO intended to play its due role in a United Nations conference on ECDC/TCDC scheduled for 1996.

4. **Ms. LJUJIC-MIJATOVIC** (Observer for Bosnia and Herzegovina) said that at a very critical moment for the future of UNIDO she would like to make a few remarks about the importance of the Organization's mission in her war-torn country. For three years Bosnia and Herzegovina, an internationally recognized State and a full Member of the United Nations, had been the victim of aggression, which was continuing. After 200,000 deaths, men, women and children were still being killed on the streets of Sarajevo and other cities, which lacked such basic human needs as food, water, gas and electricity.

5. Bosnia and Herzegovina was confident in its future and intended to struggle for the well-being of all its citizens. One of its objectives was to rebuild the country as a democratic and multi-ethnic society, while another was to preserve and develop its technical, educational and production capacities. Above all, the nation sought to preserve its people, the human potential that would perpetuate the thousand-year-old existence of Bosnia.

For that purpose, the country had turned to the specialized agencies for assistance and was convinced that the Organization could make a valuable contribution to its industrial development. At the present time 11 UNIDO projects were under way, including activities such as industrial restructuring, transition to a market economy, privatization and a small and medium-sized enterprise programme. Her country hoped that UNIDO would bridge the gap in industrial development caused by the aggression and engage a maximum number of national experts, who had been scattered all over the world as refugees but were eager to put their accumulated knowledge to rebuilding the country.

6. UNIDO's work could and should be improved so that it could respond more quickly to urgent needs. She therefore supported the current reform process and considered that, far from being abolished, UNIDO should continue to play its unique role in a changing world.

7. **Mr. MARCHAN** (Ecuador), referring to the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean, said that its implementation should continue to be based on support for the development of small and medium-sized enterprises, investment promotion and technical cooperation. UNIDO should help to establish new programmes and forms of cooperation in response to the changing needs of the countries of the region, in particular by supporting integration processes, cooperating more closely with regional bodies and strengthening interaction among regional programmes. His own country attached the highest importance to new industrial policies and strategies designed to address the globalization and regional integration processes and to improve quality and competitiveness, taking into account the role of the private sector.

8. Economic and technical cooperation among developing countries was of particular importance at a time when the flow of resources from the developed countries was dwindling. Furthermore, liberalized production, trade and investment regimes and greater reliance on private sector development widened the scope for South-South cooperation. His delegation therefore urged UNIDO to provide adequate assistance to existing interregional and subregional industrial cooperation mechanisms, in particular for the development of human resources and small-scale industry. In that connection, he expressed his appreciation of the first Regional Forum on Industrial Policies in Latin America and the Caribbean, held in Costa Rica in October 1994.

9. He called upon UNIDO to assist the countries of Latin America in improving their capacity for the national implementation of development projects, as it already did in other regions. Ecuador was particularly interested in the formulation of integrated programmes making use of the wide range of resources available in UNIDO and combining technical cooperation with services financed under the regular budget. In that context he drew attention to a project in the timber sector that his country was about to launch. It was essential to study the environmental impact of the project and to ensure coordination with the relevant United Nations bodies. Industrial investment promotion was a cornerstone of any programme of industrial development. He therefore welcomed the proposed expansion of the Investment Promotion Service (IPS) network and stressed the importance of holding investment forums at the national level.

10. **Mr. HABTEH-YIMER** (Ethiopia), referring to the Director-General's note on operational activities for development (IDB.14/22), said he felt confident that the reform programme would continue in the right direction, bringing excellence to the services offered to Member States. They themselves share a responsibility for ensuring the effectiveness of the Organization. Accordingly, the beneficiaries of UNIDO's services should carefully examine their own shortcomings in the pursuit of industrial development and take appropriate corrective measures.

11. The Organization clearly needed financial support if it was to implement its reform programmes. Its budgetary constraints were of particular concern to the developing countries, because UNIDO's lack of resources would retard their efforts to escape from poverty. His own country was doing its best to keep UNIDO alive by remaining up to date with its contributions in spite of difficulties. It was implementing various economic reform and structural adjustment programmes on the basis of a new market-oriented economic policy and development strategy. In its efforts to expedite industrial development, issues such as productivity, quality, standardization, comparative advantage and competitiveness were of paramount importance. Ethiopia needed the assistance of such specialized agencies as UNIDO in its effort to implement its long-term agriculture-led industrialization strategy, in which it faced such problems as rehabilitation, marketing, private sector development, industrial development support institutions, policy formulation, human resources development and investment promotion.

12. He strongly supported the strengthening of the UNIDO Country Director programme and looked forward to receiving information on the links between beneficiaries, field offices and Headquarters and the extent to which authority would be delegated to the

field. He commended UNIDO's efforts to remain demand-driven and to support the capability of developing countries to implement their own industrial plans. It was encouraging that the Organization was engaged in the formulation of country support strategies; efforts must continue to ensure that they covered the largest possible number of Member States within a feasible period.

13. **Mr. OWN** (Observer for the Libyan Arab Jamahiriya), referring to document IDB.14/17, said it was heartening to note that through its industrial cooperation activities UNIDO was planning to provide greater assistance to the developing countries in attaining self-sufficiency. Growth rates in those countries were far from satisfactory. The Director-General's report gave a detailed picture of ECDC/TCDC activities and the assistance available from the developed countries to support them.

14. His own country was undergoing severe economic difficulties as a result of the restrictions imposed upon it by certain developed countries, which were interfering with its national development programme. The situation had had a highly negative impact on his country, which had been obliged to halt production in some sectors. He would not dwell upon the various obstacles placed in his country's way, but merely point out that despite hindrances it was attempting to speed up its development. He called upon UNIDO to increase its economic and technical cooperation with the developing countries in order to help them face up to the challenges confronting them.

15. He commended UNIDO on the restructuring process and the establishment of new priorities for its programmes. His country supported UNIDO and all its activities designed to bring about constructive change. After endorsing the views expressed on behalf of the Group of 77 and the African countries, he said he was convinced that UNIDO still had a crucial role to play.

16. **Mr. VENKATARAMAN** (Managing Director, Investment and Technology Promotion Division), commenting on the statement by the representative of Ecuador, said that economic and technical cooperation in Latin America had centred on new technological areas, such as biotechnology, micro-electronics, capital goods and subcontracting. Active links had been established with the Latin American Economic System. Other possibilities, such as cooperation with the Bolívar programme, were being explored and discussions were under way with the Inter-American Development Bank. In addition, there was scope for interregional cooperation between enterprises in Latin America and Eastern Europe and with African countries in the dairy industry, for example. The Secretariat remained open to further suggestions for promoting cooperation in those and other areas.

INDUSTRIAL INVESTMENT PROMOTION (IDB.14/16)

17. **Mr. VENKATARAMAN** (Managing Director, Investment and Technology Promotion Division) said that investment promotion was a demand-driven activity for which UNIDO's services were increasingly requested. One of the more important of them was to act as honest broker at investment project promotion forums. An innovation in 1995 had been the organization of an Intechmart in India which had combined investment and technology promotion. A number of requests were pending from developing countries for the establishment of Investment Promotion Service offices. To facilitate their early establishment, the Board was requested to endorse the proposal relating to salary scales for IPS officials in developing countries, as well as the proposal to introduce from 1995 a fee-charging system on a cost-recovery basis for some of the services rendered by IPS offices. The resources thereby mobilized would supplement the basic funding, to be provided by the host country, and enable investment promotion activities to be implemented more speedily and effectively. The guidelines for IPS offices would be modified accordingly. Efforts were being made to adopt a fast-track procedure for the establishment and extension of IPS offices, which would enable the IPS network to gain in strength and become a valuable resource for investment promotion for both developed and developing countries. A publication was available which contained the profiles of a number of private investment projects already in operation in which UNIDO's investment service had played a key role.

18. **Mr. SÖLENDIL** (Turkey) said that his delegation welcomed the fact that an IPS office had become operational in Istanbul. The Turkish Government met all the expenses of the office, which would promote investment in the developing countries in Africa and the Middle East and newly independent States. It would also provide services to promote investment in Turkey from European countries. His delegation agreed that the establishment of new IPS offices should be a key activity in the next biennium and that, in order to provide Member States and the United Nations system with assessed information on industrial development, UNIDO should try to ensure integrated processing and dissemination of industrial information generated in its programmes and activities.

19. **Mr. VIERITA** (Romania) said that the financing of IPS offices from extrabudgetary resources might be an appropriate answer to UNIDO's financial problems. The development of databases and of the World

Investment Network Service could help to provide good investment advice and attract foreign investors. Rather than attempt to promote investments in big industrial complexes, UNIDO should concentrate on seeking reliable partners for joint ventures or other forms of cooperation between medium-sized and small private industrial companies and potential foreign investors. In that context, the recent law on accelerating privatization in Romania would give the process considerable impetus and at the same time create better possibilities for closer cooperation between Romania and UNIDO. The Organization, with its vast experience and extensive network of IPS offices, already played an important role in facilitating the flow of direct foreign investments to Romania. His country wished to be included among those with which negotiations would take place for the establishment of an IPS office.

20. **Mrs. PENSADO MORENO** (Mexico) said her delegation considered investment promotion activities to be among the most important services offered by UNIDO. The Investment Promotion Service office network should be extended to developing countries and economies in transition, a step which would help analysis and decision-making with regard to UNIDO's field representation and the Country Director programme. Her delegation supported the proposal to modify the provisions for personnel financing in the general guidelines for the establishment of IPS offices. While host country financing of IPS offices was a basic prerequisite for their operation, the mobilization of additional resources from other sources would facilitate their activities. Her delegation welcomed the progress made in the holding of investment forums and the emphasis on forums that linked investment with technology.

21. It also commended the cooperation arrangements between UNIDO and the World Bank, the European Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency and regional development banks. It urged the Secretariat to continue that form of cooperation and Member States that were members of such bodies to do all they could to further it.

22. **Mr. SOKOLOV** (Russian Federation) said his delegation had a generally favourable opinion of UNIDO's investment promotion programme. Success had been achieved in a relatively short period of time in launching the Investment Promotion Service office network and the investment forums, in helping to attract investments, especially by creating the necessary infrastructure and legislation, and in the training of specialists in the preparation of investment projects. An analysis of the effectiveness of the various facilities for furthering industrial investment in recipient countries would be a fundamental requisite for the planned increase in the number of IPS offices and the projected doubling in the number of investment forums in 1995.

23. Turning to the work of the UNIDO Centre for International Industrial Cooperation at Moscow, he confirmed his Government's interest in conserving the Centre's present status and consolidating its agreed functions. To that end, cooperation between the Russian Federation and UNIDO should be based on his Government's desire to use UNIDO's potential more fully in its national reforms, coupled with its readiness to offer its own technological, industrial and intellectual resources to UNIDO for its work in promoting the industrial development of developing countries.

24. The Russian Federation supported UNIDO's efforts to strengthen the financial basis for the operations of IPS offices by drawing on extrabudgetary resources and possibly accommodating expenditure through self-financing. That approach should be extended to the work of the Moscow Centre. His delegation had no objection to the procedure under which the head of the IPS office was appointed by the Director-General after consultations with the host country. The proposed system for determining the salaries of local staff should take account of the labour market in the host country, the competitiveness of such salaries, for example by comparison with salaries in the private sector, and the possibility of creating supplementary incentives in the form of bonuses for high performance, to be financed from extrabudgetary resources. His delegation therefore proposed the inclusion in the suggested new version of paragraph 12 of resolution GC.3/Res.19 of a reference to the possibility of modifying the proposed salary system in the light of actual conditions in the host country in question, and on the basis of consultations with its Government.

25. **Mr. BALAKRISHNAN** (India) expressed his Government's appreciation to UNIDO for its meticulous implementation of an integrated investment programme for India. Two major events had recently been held there, Investment 94 and Intechmart 95, both of which had been extremely successful. Intechmart had been the first event of its kind which had effectively merged technology and investment into a single programme. Encouraged by the response to those events, the Indian Government was planning another Intechmart early in 1996. Refinements would be introduced on that occasion and financial institutions, research and development organizations and the state Governments of his country would be more closely involved. The major component of programmes of that kind was an effective follow-up mechanism. An excellent tripartite arrangement between

government, UNIDO and industry had been established which should serve as a model for the future.

26. **Mr. VENKATARAMAN** (Managing Director, Investment and Technology Promotion Division) said that the Secretariat had taken note of the comments by the Turkish delegation concerning the closer integration of investment activities with, for example, industrial information. That was already being done at a working level but a complete system was not yet available.

27. The Romanian delegation had rightly stressed the importance of small and medium-sized enterprises; that was precisely the area in which UNIDO had sought to play a major role and where the true value of the IPS offices lay. Romania's interest in hosting an IPS office had been noted and the matter would be pursued with its Government.

28. The Secretariat had also taken note of the comments by the Russian Federation on the Moscow Centre. UNIDO attached great importance to the Centre as a means of cooperation with the Russian Federation.

PERSONNEL MATTERS

(a) UNITED NATIONS JOINT STAFF PENSION FUND)

(b) WOMEN IN THE SECRETARIAT

(IDB.14/8, IDB.14/10 and Add.1; IDB.14/CRP.2)

HEADQUARTERS AGREEMENT BETWEEN UNIDO AND THE REPUBLIC OF AUSTRIA (IDB.14/11)

ADMINISTRATIVE MATTERS: JOINT INSPECTION UNIT (IDB.14/12)

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.14/23)

29. **Mr. YUSUF** (Legal Adviser), introducing agenda item 14, "Headquarters agreement between UNIDO and the Republic of Austria", said that, as the relevant report (IDB.14/11) indicated, the pace of negotiations on the headquarters agreement with the Government of Austria had been intensified during the past seven months in compliance with Board decision IDB.13/Dec.23.

30. Significant progress had been made during the negotiations and appropriate solutions had been identified for almost all the outstanding issues in the draft agreement. The Austrian authorities had also made important efforts to obtain preliminary legislative and policy measures for the resolution of the two outstanding issues mentioned in the report. It was therefore to be hoped that the long drawn-out negotiations over the headquarters agreement would be concluded in July 1995. In view of those developments, the Secretariat expected to be in a position to submit a report on the final agreement to the General Conference at its sixth session in December 1995.

31. **Mr. VAN RAALTE** (Managing Director, Division of Administration), referring to agenda item 13, "Personnel matters", said that, as an organization within the United Nations common system, UNIDO had to ensure that the conditions of service of its staff complied with General Assembly resolutions adopted on the recommendation of the International Civil Service Commission (ICSC). A number of the amendments to the schedules and annexes of the staff regulations, particularly those concerning salary scales, staff assessments and dependency allowances, were accordingly designed to bring them into line with decisions of the General Assembly on salaries and other allowances. An interim adjustment of the General Service salary scale and the pensionable remuneration of the Professional and higher categories in accordance with the ICSC methodology was included in the amendments to appendices A and C to the staff rules. Appendix G to the staff rules had also been amended in response to the cost-saving measures regarding home leave requested in decision IDB.13/Dec.26.

32. Regarding pension matters, document IDB.14/8 reported on the activities of the UNIDO Staff Pension Committee and on the composition of the Committee in relation to the representatives of the General Conference. The admission of the International Centre for Genetic Engineering and Biotechnology (ICGEB) to the Pension Fund as of 1 January 1996 was also reported.

33. On the question of the representation of women in the Secretariat, the report provided considerable detail on the initiatives taken by the Director-General to improve the status of women in UNIDO. The current representation of women in the Secretariat, as at 30 April 1995, was close to the target set in General Conference resolution GC.5/Res.19 for 1993. It was unlikely that the 30 per cent target set for 1995 would be reached in the course of the year.

34. To increase the number of women at the senior Professional levels, a number of special measures had been taken, such as assigning more women to senior-level posts and averaging their service at two levels for determining seniority for promotion purposes. As a result, the proportion of women at senior levels had almost doubled from 7.1 per cent in 1993 to 13.6 per cent in 1995, close to the 15 per cent target. Likewise, the average age of women at the P-5 level, which had

formerly been significantly higher than that of men, had decreased from 56 in 1993 to 50 as of April 1995.

35. The Organization could nevertheless do better in the area concerned. Measures taken so far included management development workshops, requests to UNIDO Country Directors to identify women candidates, Director-General's bulletins stressing management commitment and accountability, and requests to Member States to include women candidates in their nominations for vacant posts.

36. Attention was drawn to the statement adopted by the Administrative Committee on Coordination contained in annex VI to document IDB.14/8 which included the Committee's conclusions with regard to facilitating the recruitment and mobility of women. Experience had shown that the most critical challenge was to increase the number of women candidates for a particular vacancy. The Secretariat's decision to enter some of its vacancies on the Internet should help in that regard.

37. As far as other matters were concerned, document IDB.14/8 also referred to UNIDO's efforts to recruit staff to managerial and lower-level posts on a wide and equitable geographical basis. Since November 1994, out of 12 recruitments for advertised vacancies, six had come from underrepresented or unrepresented countries. Member States could help UNIDO to identify qualified candidates who satisfied geographical targets.

38. In the area of training, courses in quality assurance, project design, environmental technology and other technical areas continued to be offered, and courses in computer skills were still in high demand. In the area of management development, workshops were available on leadership skills, meetings management, team building and performance evaluation. Renewed emphasis was being given to the upgrading of technical skills in support of the seven programmatic themes of the Organization. Some training resources had now been decentralized, allowing divisions to provide external training in the particular technical skills they needed.

39. The area of performance evaluation and recognition was also important. The new staff performance evaluation report had been endorsed by the Joint Advisory Committee and was now entering a test phase which would involve Professional and General Service staff from at least one section of each division who would work with the form. The new system was due to be fully implemented on 1 January 1996. An award system had been launched to recognize and reward exceptional contributions both by individuals and by interdivisional teams of UNIDO staff, both at Headquarters and in the field.

40. UNIDO had conducted an interesting experiment in the area of recruitment. Recognizing the critical importance of timely recruitment, and the fact that the process was sometimes unnecessarily time-consuming, the staff of the Recruitment Division, working together as a team, had for several weeks studied and, in effect, re-engineered the process. The resulting recommendations were already being implemented and were expected to reduce the process time from some 160 days to an average of 100 days. The process could undoubtedly be further streamlined and efforts were being made in that direction. If the cooperation of all managers was obtained in effecting the changes, the Organization would look at other processes elsewhere to see whether similar economies and efficiencies could be realized.

41. On agenda item 15, "Administrative matters: Joint Inspection Unit", the Board had before it document IDB.14/12 which contained the summaries of two Joint Inspection Unit (JIU) reports and the Secretariat's views.

42. The review and assessment of efforts to restructure the regional dimension of United Nations economic and social activities (JIU/REP/94/6) looked at past attempts to restructure the regional dimension of the United Nations economic and social activities, and emphasized the importance of enhanced coordination between the United Nations, the regional commissions and the specialized agencies. The Secretariat supported coordination at the regional level, and that had been taken into account when preparing the proposals for a new framework for the field representation of the Organization (PBC.11/11).

43. The report on staff turnover and delays in recruitment (JIU/REP/94/7) reviewed the practices of agencies regarding the so-called lapse or vacancy factor. The concerns expressed by the JIU had been addressed by the Secretariat which had ensured that, despite the high vacancy factor, specialized functions in the substantive divisions were given top recruitment priority. The Board might wish to review the two reports and provide guidance.

44. **The PRESIDENT**, referring to agenda item 16 concerning the intergovernmental and other organizations, said that the Bureau had reviewed the applications of the eight non-governmental organizations that had applied for consultative status with UNIDO (IDB.14/23). The Bureau recommended the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.14/23;

"(b) Decides, in accordance with Article 19.1 (b) of the Constitution of UNIDO and the guidelines for the relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (General Conference decision GC.1/Dec.41, annex, para. 17), to grant consultative status with UNIDO to the following eight international non-governmental organizations:

"European Regional Industrial Development Organization
"European Union of Public Relations
"Forum francophone des affaires
"International Federation for Information Processing
"International Institute of Applied Technologies
"Jeunes Enterprises/Junior Achievement Afrique
"Soroptimist International
"Support Centre for Food Development."

45. *The draft decision was adopted.*

46. **Mrs. DE PEREZ VENERO** (Observer for Panama), speaking on agenda item 13, said that the UNIDO staff rules affected all staff members and perhaps especially women staff members, who were particularly vulnerable when they had dependent children. Article 25 of the Universal Declaration of Human Rights stated that motherhood and childhood were entitled to special care and assistance, and the family had been recognized as the fulcrum of sustainable development in meetings held and publications issued in connection with the International Year of the Family. In view of the current financial problems, it was highly likely that UNIDO would be making further staff reductions, as indeed had been suggested by several delegations under various items of the Board's agenda. Her delegation considered that the rules dealing with separation payments should be more carefully drafted. In particular, staff rule 110.11, in appendix I of the Staff Rules and schedule V of the staff regulations were not clear enough and allowed scope for arbitrary treatment of the staff.

47. Her delegation concurred with the view expressed by the External Auditor in paragraph 181 of his report for the biennium 1992-1993 (IDB.13/7) that, with regard to the termination indemnities paid to staff members, the staff rules and regulations were not sufficiently clear and precise, thus leaving room for interpretation by the Secretariat, and that the staff rules and regulations of UNIDO should be adapted to General Assembly resolution 37/126 to avoid all misunderstandings and ensure the equal treatment of all staff members concerned.

48. Schedule V of the staff regulations, concerning the repatriation grant, left it to the Director-General to determine detailed conditions relating to eligibility. Appendix I of the staff rules was imprecise and provided merely that evidence of relocation was to be constituted by documentary evidence that the former staff member had established residence in a country other than that of the last duty station. Her delegation considered that the Director-General should have less discretion in the interpretation of the regulations, and that the rules should specify what types of documents could serve as evidence of relocation. That would avoid confusion, disputes and damage to the Organization's public image.

49. **Mr. VAN RAALTE** (Managing Director, Division of Administration) said that he would try to reply to some of the points made by the delegation of Panama. He was certainly committed to the principle of the importance of the family in sustainable development. Regarding staff reductions, UNIDO had tried to be as fair as possible. It would not wish to be arbitrary in its treatment of staff members. He also agreed that there should be clear rules. The Secretariat would strive for such an approach if another reduction in staff had to be made.

50. It would also certainly have another look at the staff rules quoted by the delegation of Panama and at the External Auditor's recommendation. However, regarding maternity, the rules did provide for paid maternity leave and for a year of unpaid leave for mothers. The separation payments which were applied throughout the United Nations system were provided for clearly in the staff rules. The repatriation grant was payable only to international staff.

51. In any future separation exercise, the kinds of payment possible and available for every category of staff would be spelt out, so as to avoid any interpretation difficulties in the application of the rules. In the 1993 exercise, the same procedure had applied and, to his knowledge, no problems had arisen regarding the repatriation grant, there had been no confusion and no cases were pending.

PREPARATIONS FOR THE SIXTH SESSION OF THE GENERAL CONFERENCE (IDB.14/27)

52. **The PRESIDENT** pointed out that, under Article 9.4 of the Constitution, the Board was expected to prepare the provisional agenda for the General

Conference session. At its thirteenth session, the Board had requested the then President, Mr. El Hussein (Sudan), to conduct informal consultations on the matter and to report to the Board at its current session (see decision IDB.13/Dec.25). The report on those consultations was contained in document IDB.14/27.

52. **Mr. EL HUSSEIN** (Sudan) (President of the thirteenth session of the Board) said that, in accordance with the request of the Board, he had conducted consultations on the agenda of the sixth session of the General Conference, convening three rounds of informal consultations attended by representatives from the various regional groups. The participants had had before them a provisional agenda in document IDB.13/14 and two proposals for the grouping of the items concerned submitted by the Secretariat and by the European Union, respectively. Some changes to the draft submitted by the European Union had been agreed on and the amended text, as reproduced in the annex to document IDB.14/27, was recommended to the Board. The question of a possible theme for the Conference had been raised, but it had not been possible to debate the matter at length, and it was felt that the Board might wish to address the issue.

54. To facilitate pre-Conference negotiations on procedural matters, the Secretariat had prepared background information on items 2, 5 and 6 of the draft provisional agenda concerning questions such as elections and credentials.

55. **The PRESIDENT** expressed the gratitude of the Board to Mr. El Hussein for having been able to submit a consensus draft provisional agenda for the General Conference, thus relieving the current session of the Board of a heavy burden.

56. **Mr. KAYALAR** (Director, External Relations Service), speaking as chairman of the task force for the preparation of the sixth session of the General Conference and as Executive Secretary of the Conference, said that the task force, which was composed of a wide spectrum of staff, had been active since December 1994. On a proposal from the task force, and based on the positive experience at Yaoundé, it had been decided to convene three panels concurrently with the sixth session. The panel topics, which would be considered under the umbrella theme of "Industry in the twenty-first century", would be: international industrial partnerships, industrial development policy: the changing role of Governments; and advancing women entrepreneurs. Background documentation would be prepared for each panel.

57. Two important events would also be held in close conjunction with the sixth session of the General Conference. As in past years, there would be a symposium at ministerial level for the least developed countries, to be held from 29 November to 8 December 1995 on the topic "Sustainable private sector development and accelerated growth of industrial enterprises in LDCs". The second event was a forum of non-governmental organizations, to take place from 30 November to 1 December 1995 with the topic "Cleaner industrial production".

58. Requests had been made at the fifth session of the General Conference to organize during the current biennium, within available resources, regional meetings in Asia and the Pacific and in Latin America and the Caribbean. That effort was now fully under way. The regional meeting for Asia and the Pacific would focus on accelerated industrial development and competitiveness in the region and would be held at Bangkok, Thailand, from 15 to 17 November 1995. A similar regional meeting would be held for Latin America and the Caribbean at Montevideo, Uruguay, on 21 and 22 September.

59. Preparations were thus well advanced for the General Conference, thanks in part to the valuable work done in the informal consultations chaired by the previous President of the Board. Despite the uncertainties of the financial situation, no efforts would be spared to organize an innovative and informative session that, in addition to performing the necessary administrative tasks, would provide an opportunity for all delegates to become participants in the industrial development process. He would keep permanent missions informed of any further developments relating to the Conference.

60. **Mrs. LAJOUS VARGAS** (Mexico) welcomed the report in document IDB.14/27. The fact that a draft provisional agenda had been agreed on produced showed that there was a will to achieve consensus. Her delegation attached special importance to the inclusion of a separate item on the state and prospects of the reform and revitalization process. Though some of the results of that process would be discussed under other

agenda items, having a specific item on the subject would facilitate comprehensive analysis of the reforms and make it possible for both the Secretariat and Member States to engage in an exercise of self-evaluation.

61. She thanked the Government of Uruguay for having offered to host the regional ministerial meeting for Latin America and the Caribbean to be held in September 1995. That meeting had been designed as an opportunity for countries of the region to reflect on a topic that was central to the work of UNIDO and should be discussed at the General Conference session: the link between industrialization and development, which was taking on increased importance in view of the new global context. The Mexican Government had submitted a document on industrial development and institutional matters relating to UNIDO in the context of the discussions in the United Nations on an agenda for development.

62. **Mrs. DE PEREZ VENERO** (Observer for Panama) said her delegation considered that the theme of the General Conference session should include the concept of reform. The topic of reform was of the highest importance at a time of major change throughout the United Nations system, not only in UNIDO. Panama supported real, sustainable reforms that were not cosmetic or superficial, and believed that their effective and monitored implementation was essential if UNIDO was to provide efficient support for industrial development. Her delegation welcomed the support given to the draft provisional agenda for the sixth session of the General Conference, and in particular item 8 concerning the reform process.

The meeting rose at 12.25 p.m.

Distr.
GENERAL

IDB.14/SR.8
26 July 1995

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Fourteenth session

SUMMARY RECORD OF THE 8th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 30 June 1995, at 3 p.m.

President: Mrs. OK (Turkey)

CONTENTS

Agenda item		*Paragraphs*
-	Introduction of draft decisions	1 - 3
4	UNIDO policy framework — organizational and staff structure (*continued*)	4 - 7
5	Annual Report of the Director-General for 1994 on the activities of the Organization, including progress report on specific activities (*continued*)	8 - 11
6	UNIDO technical cooperation activities in 1994 (*continued*)	12 - 13

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted *within seven days of the receipt of the record or of the closure of the session*, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued shortly after the end of the session.

V.95 56233 (E) (b:\1995\pmo 11)

Distr.: 31 July 1995

CONTENTS (*continued*)

Agenda item		*Paragraphs*
7	Report of the Programme and Budget Committee: (a) Scale of assessments (b) Interim financial performance report and programme performance report (c) Programme and budgets, 1996-1997 (d) Working Capital Fund (e) Appointment of External Auditor (f) Electronic data-processing programme (g) Financial situation of UNIDO (h) Industrial Development Fund (i) UNIDO Country Director programme (*continued*)	14 - 43
8	Medium-term plan, 1996-2001 (*continued*)	44 - 45
9	The regional dimension: (a) Second Industrial Development Decade for Africa (b) Special Programme for Industrial Development in the Arab Countries, including technical assistance to the Palestinian people (c) Special Programme for the Industrial Development of Asia and the Pacific (d) Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean (*continued*)	46 - 54
10	Industrial cooperation and consultations (including economic and technical cooperation among developing countries and implementation of General Assembly resolution 47/153) (*continued*)	55 - 56
11	Operational activities for development (*continued*)	57 - 58
12	Industrial investment promotion (*continued*)	59 - 65
13	Personnel matters: (a) United Nations Joint Staff Pension Fund (b) Women in the Secretariat (*continued*)	66 - 70
14	Headquarters agreement between UNIDO and the Republic of Austria (*continued*)	71 - 72
15	Administrative matters: Joint Inspection Unit (*continued*)	73 - 74
17	Preparations for the sixth session of the General Conference (*continued*)	75 - 78
18	Provisional agenda and date of the fifteenth session	79
19	Adoption of the report of the fourteenth session	80 - 82
-	Suspension of the fourteenth session	83 - 101

The meeting was called to order at 3.20 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.14/L.2-L.24 and L.26)

1. **The PRESIDENT** said that agenda items 4-15 and 17 were still open for the adoption of decisions. A number of draft decisions, most of which had been discussed in the informal consultations held with the aim of facilitating the drafting of decisions, were now before the Board for consideration (IDB.14/L.2-L.24 and L.26).

2. **Mr. AL-GHAIS** (Kuwait), speaking as chairman of the informal consultations, said that consensus had been reached on the texts before the Board. Owing to the nature of the difficulties posed under agenda item 7 (c) on the programme and budgets for 1996-1997 and item 7 (g) on the financial situation, those matters had been taken up at the level of the Enlarged Bureau. In the draft decision on item 13 (a) entitled "UNIDO Staff Pension Committee" (IDB.14/L.22), some names were still missing.

3. **The PRESIDENT** said that she was submitting the draft decisions approved in the informal consultations to the Board as her drafts.

UNIDO POLICY FRAMEWORK — ORGANIZATIONAL AND STAFF STRUCTURE (*continued*) (IDB.14/13, IDB.14/8, chap. IV; IDB.14/CRP.4; IDB.14/L.3)

4. **The PRESIDENT** drew the Board's attention to draft decision IDB.14/L.3.

5. **Mr. DE YTURRIAGA BARBERAN** (Spain) proposed that the word "Reaffirms" in paragraph (a) should be replaced by the word "Recalls".

6. *It was so decided*

7. *The draft decision, as amended, was adopted.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1994 ON THE ACTIVITIES OF THE ORGANIZATION, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (*continued*) (IDB.14/10, IDB.14/10/Add.1 and Corr.1, IDB.14/10/Add.2 and Corr.1, IDB.14/10/Add.3; IDB.14/CRP.5; IDB.14/L.4 and L.5)

8. **The PRESIDENT** drew attention to draft decision IDB.14/L.4, related to the Annual Report itself.

9. *The draft decision was adopted.*

10. **The PRESIDENT** drew attention to draft decision IDB.14/L.5 on the integration of women in industrial development.

11. *The draft decision was adopted.*

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1994 (*continued*) (IDB.14/14; IDB.14/CRP.1; IDB.14/L.6)

12. **The PRESIDENT** drew attention to draft decision IDB.14/L.6.

13. *The draft decision was adopted.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) SCALE OF ASSESSMENTS
(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT
(c) PROGRAMME AND BUDGETS, 1996-1997
(d) WORKING CAPITAL FUND
(e) APPOINTMENT OF EXTERNAL AUDITOR
(f) ELECTRONIC DATA-PROCESSING PROGRAMME
(g) FINANCIAL SITUATION OF UNIDO
(h) INDUSTRIAL DEVELOPMENT FUND
(i) UNIDO COUNTRY DIRECTOR PROGRAMME

(*continued*) (IDB.14/2 and Corr.1, IDB.14/3, IDB.14/4 and Add.1, IDB.14/5, IDB.14/6 and Add.1, IDB.14/9, IDB.14/10/Add.1 and Corr.1, IDB.14/10/Add.2 and Corr.1, IDB.14/10/Add.3, IDB.14/13, IDB.14/20, IDB.14/25, IDB.14/26, IDB.14/28; IDB.14/L.7-12, IDB.14/L.23 and L.24, IDB.14/L.26)

14. **The PRESIDENT** drew attention to draft decision IDB.14/L.7 on sub-item (a), "Scale of assessments".

15. *The draft decision was adopted.*

16. **The PRESIDENT** said that no draft decision had been submitted on sub-item (b). She suggested that the Board should take note of the documentation provided by the Director-General on the subject.

17. *It was so decided.*

18. **The PRESIDENT** drew attention to draft decision IDB.14/L.26 on sub-item (c), "Programme and budgets, 1996-1997", which was also related to sub-item (g), "Financial situation of UNIDO".

19. *The draft decision was adopted.*

20. **Mr. EL HUSSEIN** (Sudan), speaking as Chairman of the Group of 77, said that the Group wished to place on record its position on the decision just adopted. The Group considered that there was no justification or legal basis for postponing the adoption of the programme and budget for 1996-1997 as recommended by the Programme and Budget Committee in its conclusion 95/8. The membership of the Organization had not changed. It was unlikely that any new development would take place before 12 October 1995 when the Board resumed its session. The Group considered that the budget proposals should have been adopted by the Board and submitted to the General Conference as a normal procedure, but in a spirit of consensus had gone along with the decision just taken. The Group regretted the uncertainty and the impression of indecisiveness created by the decision, and extended its full support and cooperation to the Director-General in making plans for 1996-1997. The Group further recalled the statement that it had made on the collection of assessed contributions (see document IDB.14/SR.5, paras. 44-46); that statement should be read along with the present statement.

21. On the issue of unutilized balances, the Group considered that the Board should have taken a decision to recommend to the General Conference the suspension of financial rules 4.2 (b) and 4.2 (c) to permit the use of the unutilized balances from 1992-1993, totalling $14.7 million. That was clearly justified, as the Organization was facing a very serious cash crisis caused by the announcement of non-payment of assessed contributions by the largest contributor. If Member States met their obligations and paid their contributions on time, there would be no need to suspend the financial rules. In the present circumstances, however, the Board had to take that measure to deal with an extraordinary and exceptional situation. Responsible financial management made it imperative that it should do so without delay. Moreover, the External Auditor had recommended such a measure. The Group reiterated its position and stressed that it would insist that a decision to suspend financial rules 4.2 (b) and 4.2 (c) be taken at the resumed session.

22. The Group wished to express its strong support for UNIDO and the Director-General in dealing with the difficult situation facing UNIDO. It would cooperate and work closely in the effort to achieve a strong and revitalized UNIDO.

23. **Mr. SVENDSEN** (United States of America) said that his delegation had not wished to block the consensus, but reserved its position on the decision, in line with its statement to the Board at the first meeting, on 26 June 1995.

24. **Mr. EL HUSSEIN** (Sudan), speaking on behalf of his own delegation, said that all Member States should meet their obligations to pay their assessed contributions. He announced that the Sudan had just paid its contribution in full, including arrears.

25. **Mr. TANAKA** (Japan) said Japan considered that all Member States should pay their assessed contributions in full and on time. In the decision just adopted, the Board also urged Members to meet their obligations. Japan had paid part of its assessed contribution for 1995 in February and the balance had just been paid.

26. He urged the Director-General to proceed more vigorously with the reform process.

27. In reply to a point raised by **Mr. DE YTURRIAGA BARBERAN** (Spain), **Mr. DE MARIA Y CAMPOS** (Director-General) said that it might prove possible to find a more convenient date for the resumption of the session provided for in paragraph (b) of the decision just adopted.

28. **The PRESIDENT** said that the possibility of an alternative date would be left open. She then drew attention to draft decision IDB.14/L.8 on sub-item (d), "Working Capital Fund".

29. *The draft decision was adopted.*

30. **The PRESIDENT** drew attention to draft decision IDB.14/L.9 on the appointment of the External Auditor.

31. *The draft decision was adopted.*

32. **The PRESIDENT** drew attention to draft decision IDB.14/L.10 on the electronic data-processing programme.

33. *The draft decision was adopted.*

34. **The PRESIDENT** drew attention to draft decision IDB.14/L.12 on sub-item (g). The draft decision was entitled "Financial situation of UNIDO: report on the 6 per cent figure for technical cooperation activities".

35. *The draft decision was adopted.*

36. **The PRESIDENT** drew attention to draft decision IDB.14/L.24 entitled "Financial situation of UNIDO: operational budget reserve and treatment of new Member State income".

37. *The draft decision was adopted.*

38. **Mr. SVENDSEN** (United States of America) said that his delegation reserved its position on the decision in line with its statement to the Board on 26 June.

39. **The PRESIDENT** drew attention to draft decision IDB.14/L.11 on the Industrial Development Fund.

40. *The draft decision was adopted.*

41. **The PRESIDENT** drew attention to draft decision IDB.14/L.23 on the UNIDO Country Director programme.

42. *The draft decision was adopted.*

43. **Mr. SVENDSEN** (United States of America) said that his delegation reserved its position on the decision.

MEDIUM-TERM PLAN, 1996-2001 (*continued*) (IDB.13/9; IDB.14/L.2)

44. **The PRESIDENT** drew attention to draft decision IDB.14/L.2.

45. *The draft decision was adopted.*

THE REGIONAL DIMENSION

(a) SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

(b) SPECIAL PROGRAMME FOR INDUSTRIAL DEVELOPMENT IN THE ARAB COUNTRIES, INCLUDING TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE

(c) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC

(d) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN

(continued) (IDB.14/10, IDB.14/15, IDB.14/18, IDB.14/19, IDB.14/21; IDB.14/L.19)

46. **The PRESIDENT** drew attention to draft decision IDB.14/L.13 on the Second Industrial Development Decade for Africa (sub-item (a)).

47. *The draft decision was adopted.*

48. **The PRESIDENT** drew attention to draft decision IDB.14/L.19 on the Special Programme for Industrial Development in the Arab Countries, including technical assistance to the Palestinian People (sub-item (b)).

49. *The draft decision was adopted.*

50. **Mr. JAMAL** (Qatar), speaking on behalf of the Arab countries, said that they supported the programmes and objectives of UNIDO and considered that the Organization had a very important role to play in industrial and social development in their region. He stressed the importance of paragraph (b) of the decision, with its reference to document IDB.14/15, and of the request in paragraph (d) (i).

51. **Mr. DE MARIA Y CAMPOS** (Director-General) said that he had taken note of the concerns expressed and that the Organization would take all remedial measures necessary. Regular briefing sessions with the permanent missions on the programmes for the Arab region were planned, and the first of them would be organized as soon as possible. He had recently travelled extensively in the Arab region and had received the clear impression that UNIDO's programme was well received and that the Organization's efforts were much appreciated. Many delegations had expressed their satisfaction with UNIDO's ongoing efforts in Palestine and he had received a letter of thanks from Chairman Arafat.

52. The report in document IDB.14/15 had been prepared in response to a General Conference resolution, but there were many initiatives outside the scope of the Special Programme, particularly with reference to investment promotion and environment programmes. A draft regional strategy had also been prepared. He felt that UNIDO had a reasonably good track record, above all at a time when the Organization was being restructured. In the present situation, it would be difficult to strengthen the staffing of any particular unit in the Organization, but he would do his best to achieve the objectives set. However, he would welcome any voluntary contributions to strengthen the unit.

53. **The PRESIDENT** said that no draft decision had been submitted under sub-item (c), "Special Programme for the Industrial Development of Asia and the Pacific" or sub-item (d), "Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean". She suggested that the Board should take

note of the documentation provided by the Director-General under those two sub-items.

54. *It was so decided.*

INDUSTRIAL COOPERATION AND CONSULTATIONS (INCLUDING ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES AND IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153) *(continued)* (IDB.14/17, IDB.14/24; IDB.14/L.14)

55. **The PRESIDENT** drew attention to draft decision IDB.14/L.14 on economic and technical cooperation among developing countries.

56. *The draft decision was adopted.*

OPERATIONAL ACTIVITIES FOR DEVELOPMENT *(continued)* (IDB.14/22)

57. **The PRESIDENT** said that no draft decision had been submitted on the subject and suggested that the Board should take note of the information provided by the Director-General on the subject.

58. *It was so decided.*

INDUSTRIAL INVESTMENT PROMOTION *(continued)* (IDB.14/16; IDB.14/L.20 and L.21)

59. **The PRESIDENT** drew attention to draft decision IDB.14/L.20 entitled "Industrial investment promotion".

60. *The draft decision was adopted.*

61. **The PRESIDENT** drew attention to draft decision IDB.14/L.21, relating to the guidelines for the functioning of the Investment Promotion Service Offices.

62. *The draft decision was adopted.*

63. **Mr. GRISHAEV** (Russian Federation) referred to his intervention at the previous meeting, in which he had confirmed his Government's interest in conserving the present status of the UNIDO centre in his country. The Russian Federation supported the Centre as it was currently functioning, with investment as only one of its aspects. As he had said, local staff salaries should take account of the labour market in the host country, including the private sector, on the basis of consultations with the Government. He noted that paragraph (b) of IDB.14/L.20, which had just been approved, mentioned the need for negotiations on salaries.

64. **The PRESIDENT** referred to the contribution to industrial investment promotion made by Mr. Krishnaswamy Venkataraman, Managing Director of UNIDO's Investment and Technology Promotion Division, who was retiring from service that day. She was sure that she could speak on behalf of all members of the Board in expressing gratitude to Mr. Venkataraman for his contribution to the Organization, in particular in the field of development and transfer of technology, and wishing him well in the future.

65. **Mr. SOM** (Observer for Malaysia), speaking on behalf of the Asian Group, **Mr. AZIRIA** (Algeria), speaking on behalf of the African Group, **Mr. GRISHAEV** (Russian Federation), **Mr. JAMAL** (Qatar), speaking on behalf of the Arab countries, **Mr. PEYRAT** (Observer for Paraguay), speaking on behalf of the Latin American and Caribbean Group, and **Mr. GUNNING** (Observer for Ireland), speaking on behalf of the Western Europe and Others Group, joined the President in her expression of gratitude and good wishes.

PERSONNEL MATTERS

(a) UNITED NATIONS JOINT STAFF PENSION FUND

(b) WOMEN IN THE SECRETARIAT

(continued) (IDB.14/8, IDB.14/10 and Add.1 and Corr.1; IDB.14/L.17 and L.22)

66. **The PRESIDENT** drew attention to draft decision IDB.14/L.17 entitled "Personnel matters, including women in the Secretariat".

67. *The draft decision was adopted.*

68. **The PRESIDENT** drew attention to draft decision IDB.14/L.22, which came under sub-item (a), "United Nations Joint Staff Pension Fund". The name of Mr. Fatunla (Nigeria) should be added in paragraph (e) as a candidate to serve as a member of the UNIDO Staff Pension Committee for the biennium 1996-1997. Further nominations were needed from the Group of 77 to fill the blanks in paragraphs (d) and (e). She suggested that, if the nominations were not yet available, the Bureau should be authorized to insert the names after the session before finalizing the report.

69. **Mr. EL HUSSEIN** (Sudan), speaking on behalf of the Group of 77, said that the relevant names for inclusion would be provided as requested.

70. *On that understanding, the draft decision was adopted.*

HEADQUARTERS AGREEMENT BETWEEN UNIDO AND THE REPUBLIC OF AUSTRIA *(continued)* (IDB.14/11; IDB.14/L.15)

71. **The PRESIDENT** drew attention to draft decision IDB.14/L.15.

72. *The draft decision was adopted.*

ADMINISTRATIVE MATTERS: JOINT INSPECTION UNIT *(continued)* (IDB.14/12)

73. **The PRESIDENT** said that no draft decision had been submitted on the item and suggested that the Board should take note of the information provided by the Secretariat on the subject in document IDB.14/12.

74. *It was so decided.*

PREPARATIONS FOR THE SIXTH SESSION OF THE GENERAL CONFERENCE *(continued)* (IDB.14/27; IDB.14/L.16)

75. **The PRESIDENT** drew attention to draft decision IDB.14/L.16 on the draft provisional agenda for the sixth session of the General Conference.

76. *The draft decision was adopted.*

77. **Mr. YTURRIAGA BARBERAN** (Spain), welcoming the decision just adopted, said that he hoped that preparations for the next session of the General Conference would begin as soon as possible, particularly to allow time for documentation to be translated into the official languages.

78. **The PRESIDENT** confirmed that the informal consultations for those preparations would begin immediately after the current Board session.

PROVISIONAL AGENDA AND DATE OF THE FIFTEENTH SESSION (IDB.14/L.18)

79. *Draft decision IDB.14/L.18 was adopted.*

ADOPTION OF THE REPORT OF THE FOURTEENTH SESSION (IDB.14/L.1)

80. **Mr. FATUNLA** (Nigeria), Rapporteur, introducing the draft report of the Board on its fourteenth session (IDB.14/L.1), said that, owing to time constraints, the report contained many blank spaces. The final report would, however, reflect the events of the session, including the decisions adopted.

81. **The PRESIDENT** said that, if she heard no objections, she would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it, in consultation with his "Friends", as soon as possible after the close of the session.

82. *It was so decided.*

SUSPENSION OF THE FOURTEENTH SESSION

83. **Mr. DE MARIA Y CAMPOS** (Director-General) said that the session had heard expressions of unconditional support for UNIDO and a great deal of advice, suggestions, constructive criticisms and appeals. That was an indication of how much the Organization's members desired to improve its performance and of how much they demanded of it, demands that reflected a strong awareness of UNIDO's important role. There was no lack of will, competence, expertise or sacrifice on the Organization's part, but UNIDO could only deliver what it received. Its slowness in responding to Member States' requests was partly due to the limited and uncertain nature of the resources available to it. Indeed, less than one project in five could be adequately financed, a ratio which would have been far lower if UNIDO had been less innovative in diversifying its sources of funding and less efficient in the execution of its tasks.

84. The current session marked a turning point in the life of the Organization. UNIDO was in the midst of its restructuring process, which was now showing its first buds; those buds were fragile and had to be protected. Moreover, the entire world was changing, and alternatives were being sought to meet the new requirements generated by the technological and economic revolution and by a growing realization of the gap between human ambitions created by education and by the globalization of information and the means available to fulfil those ambitions.

85. UNIDO had been the first organization within the United Nations system to embark upon a major and courageous restructuring exercise that would prepare it for the challenges of the new world order and the twenty-first century. Was UNIDO to be rewarded by being dismantled? The attacks levelled against the Organization in certain quarters stemmed from an unawareness of, or a refusal to acknowledge, the importance of the services rendered by UNIDO to the developing world. Perhaps the Organization's greatest error was to work in silence without paying attention

to publicity. The Secretariat was determined to complete the reform process no matter how painful that might be, and it needed Member States' support, clear-sightedness and understanding to achieve that goal. It also required a minimum of resources, resources which lay in Member States' hands and not just in those of the Secretariat.

86. The developed countries required outlets for their products, markets for their expertise and other areas to invest in, all of which would be impossible if they were confronted with a host of bankrupt countries unable to enter into workable partnerships. The developing countries, which made up the bulk of the world's population, had to create a minimum of wealth in order to meet the needs of their peoples and to attain decent standards of living. Although industrial development alone was not sufficient to achieve those goals, it was nevertheless a prerequisite.

87. The announcement made by UNIDO's largest contributor on the first day of the session had changed the course of the Board's debates and placed in doubt the conclusions adopted at the last session of the Programme and Budget Committee. He hoped that the Member State concerned would reconsider its position. UNIDO had to go forward with those members that recognized the importance of industrialization and industrial cooperation for the well-being of the world's peoples and were willing to support the efforts of the Secretariat to that end. It was essential for all assessed contributions due and arrears outstanding to be settled in full. In the course of the session, not only had Germany and Japan completed their annual contributions earlier than in the past but less developed States, namely Angola, Bangladesh, Fiji, Lesotho, Mozambique, Pakistan, Thailand, Venezuela and Zimbabwe, had effected the payments due from them, thereby displaying their commitment to the Organization.

88. He was grateful to Member States for having reaffirmed their support for the new UNIDO and its reform process. They had stressed the crucial importance of industrial development for the overall socio-economic development of the developing countries and economies in transition and of the role played by UNIDO as the lead agency for industrial development. He was also pleased to note the common interest shown in bringing about a lasting global partnership in industry. It was, however, essential for UNIDO to be provided with the means to fulfil its mandate and meet countries' increasing requirements. Since assuming the post of Director-General, he had pursued reforms that were essential for ensuring the relevance of the Organization and its credibility in the eyes of all countries. Without the necessary resources, it would be difficult to make effective preparations for the biennium 1996-1997 in order to meet the needs identified.

89. Although gratified by the compromise reached following arduous negotiations by the Board, he was disappointed that several crucial decisions had to be postponed to a resumed session later in the year. That would delay the formulation and implementation of some priority activities and programmes and would place others in a situation of uncertainty. The absence of approval of the budgets for 1996-1997 would mean that major adjustments to UNIDO's programmes for the current biennium and plans for the next biennium would be necessary. Those adjustments would have to be made within the framework of the priorities set in the budget document approved by the Programme and Budget Committee. Substantial administrative changes in regard to management and personnel would also be required. Member States must entrust him with full responsibility for that task so that, with the support of his senior management team, he could ensure that the adjustments were carried out with the minimum of disruption and maximized the effectiveness of UNIDO and its reform process in the long term. The postponement of decisions relating to the 1996-1997 budgets would be a disappointment to many members present, who had hoped to depart with a firmer mandate for the continuation of UNIDO's priorities on a more definite course. He wished to assure them that those priorities would as far as possible remain intact, despite the four-month interval before the adoption of decisions regarding the Organization's future programmes, many of which required extensive preparations in order to be operational from the beginning of 1996.

90. He wished to thank the Heads of State of the African countries, which had met at the Summit of the Organization of African Unity at Addis Ababa, for their encouragement and their expression of the need for UNIDO to be not just maintained but strengthened. He was also grateful for the display of support from the countries of Latin America and Asia and the economies in transition; that was a source of considerable optimism for him. The reform programme had made great strides, and the implementation of the final stages, particularly regarding the seven new programmatic themes, was currently under discussion. Given the uncertainty surrounding the future planning of the Organization's

work, he was committed to the idea that by December 1995 it would be possible to submit to Member States a series of specific proposals for the effective mobilization of resources.

91. With regard to the postponement of the consideration of the use of unutilized balances from the biennium 1992-1993, he had noted the generally positive view prevailing among the regional groups. Nevertheless, the Board's decision had caused a predicament. Those balances were greatly needed and, on the basis of informal and formal comments received, he would take steps to ensure that, once available, they were used in the most effective way possible to support the reform process. States that had experienced problems regarding the Organization's use of the balances were urged to communicate their favourable decision as soon as possible. That would enable the Secretariat to fine-tune its contingency plans. He had received very little guidance from Member States but hoped that, by maintaining close contact with them, he would obtain more precise information in order to ensure the successful outcome of the resumed Board session.

92. He wished to thank the President and the Bureau for their efforts in enabling consensus to be reached, in spite of all the constraints that had been faced. He wished to assure Member States that UNIDO would make every effort to ensure that its objectives and reform priorities were put into effect to the extent of the Organization's capabilities.

93. Finally, he wished to pay tribute to Mr. Venkataraman for his many years of work for the Organization and to wish him every success.

94. **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria), speaking as representative of the host country, said that never before had the situation of UNIDO appeared so precarious. The energies devoted by the Director-General and senior management to completing the reform process would now have to be diverted to devising survival strategies in the face of the drastic reduction in expected income and the uncertainty about future contribution levels.

95. The Organization had made unprecedented efforts to streamline and reorient itself, and his delegation believed that UNIDO was on the right course, even if not all problems had yet been solved. He wished to make an urgent appeal to Member States to pay their assessed contributions and pay off their arrears. Now was the time to show solidarity with UNIDO and other Member States and a spirit of multilateral cooperation.

96. Austria was convinced of the increasingly useful role that UNIDO could play in improving the lives of people in many parts of the world. The period up to the next General Conference session should be used by the Secretariat and Member States to work out the course of UNIDO's future development in order to ensure that one country's predicament did not undo the decisions adopted at Yaoundé.

97. **The PRESIDENT** said that the Board had succeeded in reaching consensus in the handling of the unexpected circumstances that had arisen at the session concerning the future of UNIDO. The Organization had been established on the principles of cooperation and dialogue between developed and developing countries and its achievements were based on mutual understanding, an atmosphere which she was pleased to see continuing.

98. Nevertheless, UNIDO had to adapt itself to the changing circumstances whilst also reforming itself structurally and functionally. During that difficult process, a display of commitment on the part of Member States was most necessary to assist the Secretariat morally and financially. At the present time it was essential that Member States should pay their assessed contributions and arrears in full.

99. She wished to assure the staff of UNIDO that the Board would do its utmost for their benefit and to affirm that the Board expected the staff to devote their best efforts to transforming the Organization into a centre of excellence and to promoting its credibility and image. The task of reforming UNIDO was a difficult one for the Director-General as he faced a number of constraints, particularly financial ones. However, statements made at the session had indicated that he had the wide support of Member States in his efforts and that he should continue with determination.

100. Finally, she wished to thank all those representatives who had worked with the Bureau and had contributed to reaching a compromise solution concerning conflicting issues that the Board had had to deal with. Thanks were also due to the Secretariat staff for their efforts.

101. After the customary exchange of courtesies, she declared the session suspended.

The meeting rose at 5.30 p.m.

Distr.
GENERAL

IDB.14/SR.9
17 November 1995

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Resumed fourteenth session

SUMMARY RECORD OF THE 9th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 31 October 1995, at 10 a.m.

President: Ms. OK (Turkey)

CONTENTS

Agenda item		*Paragraphs*
-	Opening of the resumed fourteenth session	1 - 3
7 (c) and (g)	Report of the Programme and Budget Committee: Programme and budgets, 1996-1997 Financial situation of UNIDO *(continued)*	4 - 83
-	Establishment of an informal, open-ended consultation group	84 - 85

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued shortly after the end of the session.

V.95 59435 (E) (a:\1995\pmo 3)

Distr.: 22 November 1995

The meeting was called to order at 11.30 a.m.

OPENING OF THE RESUMED FOURTEENTH SESSION

1. **The PRESIDENT** declared open the resumed fourteenth session of the Industrial Development Board.

2. The purpose of the resumption was to review the preliminary expenditure plans prepared by the Director-General, to adopt the programme and budgets for 1996-1997 for submission to the sixth session of the General Conference and to consider the use of unutilized balances with respect to the biennium 1992-1993.

3. She suggested that the sub-items be taken up simultaneously.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE:
(c) PROGRAMME AND BUDGETS, 1996-1997
(g) FINANCIAL SITUATION OF UNIDO
(continued) (IDB.14/9, IDB.14/2 and Corr.1, IDB.14/28, IDB.14/29, IDB.14/30)

4. **Mr. DE MARIA Y CAMPOS** (Director-General) said that the resumption of the Board session had been made necessary by the uncertainties surrounding the payment of assessed contributions in 1995 and during the 1996-1997 biennium, particularly by the major contributor, with possible consequences on the programme and budgets for 1996-1997. As requested, he was submitting preliminary expenditure plans, to reflect those uncertainties, an update of the financial situation of UNIDO as of 30 September 1995, in the light of which he hoped that the Board would be able to recommend to the sixth session of the General Conference the approval of the programme and budgets for 1996-1997; he had also provided information on the establishment of a separation indemnity reserve.

5. During substantive contacts with various Member States, at the twelfth session of the Conference of African Ministers of Industry in June 1995, at the meeting of Ministers of Industry of Latin American Countries in September 1995, and at the meeting of Ministers of Industry of the Asia and Pacific Region in the current month, and at the Eleventh Congress of Heads of State or Government of the Non-Aligned Movement, he had noted a reaffirmation of the conviction that the industrialization of developing countries was a vital necessity and must constitute a key element in the global development agenda, and that its role could not and must not be downplayed. Since the process of industrialization had become increasingly complex, there was a much greater need for specialized international support for developing countries and economies in transition, and therefore for the continuance of UNIDO as a provider of such services.

6. The Global Forum on Industry held in the current month in New Delhi and organized by UNIDO in cooperation with the Government of India had considered key issues related to industrial development beyond the year 2000 in the light of the consequences of the Uruguay Round and the effect of other factors. It had been emphasized that industrialization in developing countries was a vital objective in the global development agenda. Global solutions were needed for global problems and major changes with respect to technological development, trade and investment would also require increased specialized international assistance.

7. The Forum had considered that assistance channelled through UNIDO should focus on enhancing private sector participation, competitiveness and industrial partnerships in an environment of growing interdependence. It had also stressed that UNIDO would have to conduct periodic assessments of industrial growth trends, develop appropriate benchmarks of industrial progress and promote and strengthen enterprise-level partnerships and strategic business alliances. It had expressed concern that UNIDO's resources were being reduced more and more at the very time that demand for its services was expected to increase rapidly. It had urged that additional funds must be mobilized and new mechanisms developed for attracting financial resources from the private sector and donor countries, and that business councils and other support groups should be created at the national and sectoral levels, representing a future natural constituency network and a source of advice and orientation for the Organization.

8. An advance version of his progress report on the implementation of UNIDO reforms requested by the Board would be made available to Member States later that day and the final version would be available in three weeks. The progress report reviewed the implementation of reforms and the achievements of the past two years. Those achievements included updating and clearly defining UNIDO's mission and value added within the United Nations system, defining a clear substantive focus for the core services of UNIDO, streamlining the organizational structure, introducing a clear set of basic management principles, rationalizing key managerial and administrative processes, making radical changes in project management in order to reduce costs and improve the quality and impact of projects, improving personnel policies and procedures and where appropriate

introducing new ones, strengthening internal reporting, and launching a process to improve the public image of the Organization.

9. The progress report demonstrated that UNIDO had completed most of the reforms that he had proposed and that Member States had endorsed at Yaoundé. In recent months, the reform process had accelerated with the help of an international consulting company and the committed work of a large group of staff members. The work to be done in early 1996 related to the specific formulation of a number of processes and procedures so that the last part of the reform could be implemented and the sustainability of the reform spirit ensured. UNIDO had thus set an example of reforms that could be achieved. The approval of the programme and budgets for 1996-1997 was essential in order to enable the Organization to fulfil its obligations and satisfy increasing demand from developing countries.

10. As requested by the Board at its June 1995 session, he had submitted preliminary expenditure plans based on the assumption of a $28.8 million reduction in cash inflow for the 1996-1997 biennium, corresponding to the possible payment by UNIDO's main contributor of about half of its assessed contribution and entailing the suspension of 114 staff posts. As requested by Member States, prime attention had been devoted to the reduction of costs in administrative and other non-substantive programmes and the non-staff components of general operating costs. The expected results of the reform process would be fully realized within those plans.

11. He had also prepared an internal contingency plan reflecting non-payment of assessed contributions amounting to about $52 million. The implications would include the further suspension of up to 119 posts.

12. Analysis of the expenditure plans, the contingency plan, UNIDO's organizational structure and other factors showed that UNIDO would continue to carry out its essential functions even with such stringent cuts. However, Member States must recognize the difficulties involved in such a potential drastic scaling down of resources at a time when the Organization had identified increasing demands from Member States in the light of its renewed vigour and new priorities. It was difficult to say which scenario was most realistic since information on payments by the major contributor might not be received before the sixth session of the General Conference.

13. The failure of some Member States to pay their assessed contributions could place UNIDO in financial jeopardy. Even if it were possible with the help of Member States to solve the crisis in 1995 caused by the anticipated partial or non-payment of the major contributor, the threatened non-payment of contributions in 1996 and 1997 by the same Member State made it obvious that the Organization must be prepared to face long-term reductions in budgetary expenditure, with inevitable staff reductions.

14. In order to bring the Organization through the current crisis, he requested a renewed commitment by all Member States to the mission and role of UNIDO and its reform process, support in providing the legal basis for its work by approval of the programme and budgets for 1996-1997, the provision of extrabudgetary resources for the technical cooperation and field representation programmes, and approval of the use of unutilized balances from the 1992-1993 biennium for the establishment of a separation indemnity reserve to meet the extraordinary costs of reducing staff.

15. The reductions in support services would seriously restrict UNIDO's ability to carry out its programmes to the full. However, given time for adjustments, and with support for reforms, it could be done. He deplored any idea of a gradual reduction in UNIDO's ability to fulfil its mandate. He was committed to fulfilling his obligations to Member States and to his staff. UNIDO's staff was ready to face realities but demanded certainties.

16. **Mr. CARRIER** (President, UNIDO Staff Council) said that UNIDO's staff, management and "clients" in the developing countries all had different perceptions of the Organization and its purpose. Any organization needed a base and strength on which it could rely, vision and strategy, management and an organizational and coordination structure.

17. As UNIDO had no financial resources of its own, its only strength lay in its human resources, in the know-how, commitment, efficiency and creativity of its staff. However, as in any organization or institution, there were tendencies towards excessive bureaucracy, conflicting interests and different visions, which attacked the organization's "muscle" and destroyed its sense of purpose. That had perhaps been the case with UNIDO, and it was in that light that the staff perceived the value of the reform conducted by the Director-General.

18. In such a situation, certain essential responsibilities must be assumed. The Administration must redefine the basic missions of UNIDO with ambition, vision and even a certain pride, mindful of the Organization's essential primary, realistic and long-term purpose of serving the developing countries. It should also guarantee the integrity, efficiency and mobilization of its principal resource — the staff — through understanding

of its motivation, organization of its collective intelligence, recognition of merit and risks, career development and innovation. It must combat excessive bureaucracy, conservatism and self-interest groups, and organize training and retraining programmes for the upgrading of skills so as to contribute to the desired competitiveness of the Organization.

19. The staff should recognize the need for change and adaptation and make the necessary effort to "produce", since the success of the reform would depend above all on them. One or more managers or consultants could be changed but it was impossible to change the entire staff without irretrievably impairing the collective memory and know-how of the Organization and thus threatening its very existence.

20. Finally, it was for the Member States to provide the necessary resources, trust and moral and political support to ensure that efforts were rewarded. Every Member State was confronted with the same problems of institutional reform and knew the difficulties involved, which were certainly not less for international organizations.

21. Responsibilities were clear and inescapable. The future of the Organization would be ensured only if each of the three parties agreed to play its part. All three stood to gain by the exercise, the key to whose success lay in an unshakable belief in change, and the political will to institute change for the good of all.

22. Before commencing any staff reduction, the Administration should clearly state the targets, functions and structure of the reformed Organization. In a climate of uncertainty, the Staff Council felt justified in calling on the Administration to impose a freeze on all external recruitment, without exception, to refuse any extensions of contracts beyond the age of retirement, without exception, to redeploy existing staff for the performance of functions left vacant, and to establish a retraining programme suited to the needs created by redeployment.

23. He appealed to the Member States to give impartial support to the reforms and restructuring efforts, to pay arrears of contributions with minimum delay and to increase their contributions to UNIDO's technical assistance programmes and consultancy services.

24. **Mr. EL-FEKI** (Egypt), speaking on behalf of the African Group, said that the current meeting reflected the importance of UNIDO's role and the interest of Member States in maintaining its ability to continue its work despite the challenges to its financial resources. He was surprised at the announcement of non-payment by the major contributor, which would constitute a severe setback to the entire system, but highly appreciated the continuous support of donor countries and urged all donors to maintain their political and financial commitment to the Organization. He reiterated his sincere appreciation to those Member States which had reaffirmed their support for UNIDO as expressed at Yaoundé. African countries would do their utmost to pay their assessed contributions on time despite economic and financial constraints.

25. The current financial uncertainty was particularly unfortunate at a time of major reforms and could seriously affect UNIDO's future as an important instrument for the industrialization of the developing countries. He strongly urged the Secretariat to continue the reform and restructuring process with a view to focusing the Organization's activities on Africa and the LDCs.

26. The expenditure plan submitted by the Director-General represented an acceptable framework for implementing the programme and budgets for 1996-1997. However, certain points needed to be stressed.

27. Since Africa, with 33 LDCs, was the continent that most urgently needed developmental assistance and could not afford any reduction in the scarce resources available, particularly for the Second IDDA, it should be given high priority in UNIDO programmes. However, paragraphs 9 (c) and 14 of document IDB.14/29 included some confusing references to the IDDA.

28. Owing to the merging of the IDDA organizational unit with one of the subprogrammes, it was difficult for the African Group to obtain accurate information on the possible reduction of resources for the Decade. Urgent action by the Director-General was needed in order to provide the unit with the necessary means for the effective implementation of its programme.

29. The underrepresentation of Africa on the Secretariat staff had long been a major concern of the Group and the situation had not been rectified. The African Group attached great importance to assuming an active and leading role in the Organization, particularly at the top management level, a matter that would continue to be of concern to the Group.

30. The expenditure plan presented by the Director-General provided an adequate basis for the work of the Organization during the first half of 1996, a crucial period for both the Member States and the Secretariat. Decisions with regard to additional plans should be considered in coming meetings if the need arose.

31. Part of the unutilized balances from 1992-1993, which it was proposed to set aside as a separation indemnity reserve, should be primarily used for financing substantive programmes in Africa.

32. He reiterated that the discussions and deliberations at the current meeting should not be interpreted as implicit acceptance of any Member State's intention to default on its legal and financial obligations towards an international institution such as UNIDO.

33. **Mr. EL HUSSEIN** (Sudan), speaking on behalf of the Group of 77, said that the Group had noted with concern the expected shortfall in UNIDO's financial resources stemming from the likely reduction in payment of its assessed contributions by one major contributor or even non-payment.

34. With regard to the proposed action required of the Board, the Group had circulated draft decision IDB.14/L.28, requesting the Director-General to implement the programme and budgets for 1996-1997 within cash resource availability and in accordance with the preliminary expenditure plans contained in document IDB.14/29. In the event of a significant change in the projected cash resource availability from the assumptions contained in the preliminary expenditure plans, the Director-General was requested to submit to the fifteenth regular session of the Board a new plan in line with the preliminary expenditure and contingency plans now before the Board and to report regularly on those matters to the policy-making organs.

35. The Group had no concrete proposals to make concerning the use of the unutilized balances from the biennium 1992-1993, but the component regional groups were addressing the issue on the basis of proposals formulated by their respective members.

36. On the question of staff reductions, the Chairmen of the Group's chapters had emphasized at their recent joint meeting in New York that appropriate measures should be taken to restructure UNIDO, with a view to ensuring effective participation of the members of the Group of 77, at the current critical time, in leading positions within the Secretariat in a manner that would ensure equitable representation and safeguard their growing interests and needs.

37. The ministerial declaration issued following that meeting had stressed the need to correct the negative impact of the reform process and to improve the participation of developing countries in decision-making within the governing bodies and the Secretariat.

38. **Mr. PRASAD** (India) said that UNIDO was passing through an extremely critical phase. Questions had been raised about the role and relevance, not only of the Organization, but also of industrialization. Industrialization was essential for achieving sustainable development, and the promotion of industry remained fundamental to economic and social development, employment generation and poverty elimination. That had been the basis for the creation of UNIDO. His delegation was convinced of the central and indispensable role played by UNIDO for industrial development and fully supported efforts to sustain and strengthen the Organization.

39. The major financial crisis facing UNIDO had been largely caused by the failure of Member States to honour their commitments, contrary to the sentiments expressed in the Yaoundé Declaration, by which Member States had agreed to accord full political and financial support to the Organization.

40. While his delegation appreciated the efforts of the Director-General and the Secretariat to deal with the situation in the best possible manner, his delegation was concerned to note from the preliminary expenditure plans that several substantive activities would have to be curtailed. It urged that core programmes such as technical cooperation, IDDA and programmes focusing on the LDCs should not be subjected to any further reductions. He hoped that UNIDO would emerge from the crisis with a stronger resolve to tackle the new challenges of industrialization in developing countries through partnership rather than antagonism.

41. **Mr. NOWAK** (Poland) said that Poland still regarded UNIDO as one of the organizations in the United Nations system which served real and pressing needs of Member States. Industrialization and international industrial cooperation were of paramount importance for the developing countries and economies in transition, and multilateral cooperation played a most important role. However, the Organization had to adapt its structures and procedures; his delegation looked forward to receiving concrete information on the results of the reform process, so that they could be appropriately assessed well before the sixth session of the General Conference.

42. The proposals contained in the preliminary expenditure plans and the report on the financial situation of UNIDO had been prepared in an atmosphere of uncertainty regarding income from assessed contributions for the current year and the biennium 1996-1997; his delegation fully appreciated the dilemma

faced by the Director-General in balancing the legalistic and realistic approaches to the financial future of the Organization.

43. It had been alarming to note that as many as half of the Member States had not paid their assessed contributions. His delegation fully agreed that every country, irrespective of its circumstances, had to fulfil its legal obligations and meet its financial commitments as long as it retained its membership of the Organization.

44. Poland agreed with the general thrust of the proposed changes and hoped that they would further contribute to a more precise focusing of UNIDO's services.

45. His delegation was ready to approve the programme and budgets for 1996-1997 as proposed by the Programme and Budget Committee, being convinced that the Director-General would take into account any developments in income from assessed contributions and adjust expenditure accordingly. It would be willing to discuss any realistic expenditure plan, but could not support any plan which provided for an increase in its assessed contribution, which it paid year by year, in full and on time.

46. **Mr. SOKOLOV** (Russian Federation) said that the situation facing the Organization as a result of uncertainty whether one major contributor would meet its constitutional financial obligations was aggravated by the fact that UNIDO would have to carry out the resultant reductions in programme activities and in the organizational and staff structure at the most crucial final stage of the radical reforms initiated by the overwhelming majority of Member States.

47. The Russian Federation would continue to support UNIDO as the central agency within the United Nations system responsible for promoting industrial development in the developing countries and economies in transition. Russia, whose economy was in a stage of transition, was directly interested in the survival of UNIDO. Though it was not entirely satisfied with the restructuring of UNIDO, it believed that the reform process agreed upon at Yaoundé should be continued.

48. The Russian Federation considered the preliminary expenditure plans submitted by the Secretariat to be well balanced and consistent with the reform process. It was ready to support the proposed measures concerning programme adjustments and staff reductions, particularly in the non-substantive divisions, and the measures aimed at scaling down expenditure, although it was necessary to seek a reasonable balance in order not to undermine the functioning of the Organization.

49. In order not to protract indefinitely the critical situation caused by the absence of a budget, he could agree to the Secretariat's proposal and approve the budget for 1996-1997 in its present form but solely on condition that, should it prove necessary to implement the "zero" variant, special sessions of the Programme and Budget Committee and of the Board would be convened and an amended "zero" budget adopted. That might be stipulated in the decision taken at the current meeting. The "zero" variant was the most painful scenario in terms of both programme restructuring and stringent personnel cuts. However, from the preliminary evaluations of that scenario, as contained in the contingency plans, UNIDO's management appeared to be on the right track.

50. In the current critical situation, the Member States bore heightened financial responsibility. In the current year, the Russian Federation had already paid into the Organization's budget the sum of $10 million, which exceeded its annual assessed contribution. His Government had also decided to make a further payment ahead of time of $2 million. That would help to provide urgent financial assistance and demonstrated his country's political support for UNIDO's renewed mandate and confidence in its future. Despite its own unresolved economic difficulties, the Russian Federation intended to continue to pay its debt and expressed the hope that a similar attitude would be adopted by other Member States in arrears.

51. **Mr. BAJOWA** (Nigeria) regretted the uncertainty regarding the payment of assessed contributions by a major donor but noted with satisfaction the resolve of other Members of the Organization to ensure its continued survival. He welcomed the formulation of contingency plans to counter the negative effects of the financial difficulties facing UNIDO. Nigeria had initiated steps to settle its outstanding obligations and hoped that all countries with payment arrears would make similar efforts as a token of their commitment to the Organization.

52. He noted that the preliminary expenditure plans submitted by the Director-General provided for a reduction of $28,840,000 in regular budget expenditure. He endorsed the principles on which that reduction had been based and, in that context, agreed that the overriding need was to minimize its impact on UNIDO's

substantive programmes, including those geared to the industrial needs of Africa and the LDCs.

53. The IDDA programme constituted an important litmus test of the Organization's commitment to the industrialization of the African continent. Nigeria was not unaware that serious analyses had been undertaken and would continue to be required in tailoring UNIDO's programmes to available resources. It was confident that the expenditure reductions encompassing overhead costs and programme rationalization would ensure that programmes of critical need remained intact.

54. His delegation endorsed the administrative measures proposed by the Director-General, particularly concerning staff reductions, and approved the plan to establish a separation indemnity reserve to mitigate the effects of staff terminations.

55. His delegation was prepared to endorse the suspension of financial regulation 4.2(b) and (c) so that the balance could be used to help overcome UNIDO's financial problems. He wished to propose that the total sum accruing be shared between the separation indemnity reserve and technical cooperation activities.

56. He wished to reaffirm his Government's support for the Organization and its belief in UNIDO's relevance to the industrialization of the developing countries, particularly in Africa. Nigeria would continue to resist any measures that might jeopardize the viability of the Organization.

57. Finally, he stated his delegation's support for the remarks made by the Chairman of the African Group.

58. **Mr. LORENZO Y LOZADA** (Observer for Uruguay), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that, at the start of the current session in June, GRULAC had expressed concern that some Member States were disregarding their commitment, made at Yaoundé, to renew their political and financial support for the Organization. It also deplored the indecisiveness of certain Member States with regard to the financial situation of UNIDO, which was hampering the reform process and the implementation of the decisions and resolutions of the fifth session of the General Conference.

59. At their regional meeting held in September 1995 at Montevideo, Uruguay, the Ministers of Industry of Latin America and the Caribbean had stressed the importance of industrialization in the economic and social development of the countries of the region and the role that UNIDO had played and should continue to play in that process. They had recognized that the specialized areas of UNIDO's services, including investment promotion, transfer of technology, assistance to small and medium-sized enterprises, competitiveness and sustainable industrial development, were fully in line with the region's present needs and had expressed their disagreement with the questioning of UNIDO's role as the specialized agency responsible for industrial development within the United Nations system. All the countries of the region had undertaken to continue to support the strengthening of the Organization and the Secretariat's efforts to successfully complete the reform process initiated at Yaoundé.

60. It was regrettable that the situation which had arisen in June 1995 was still unresolved. That had prevented the adoption of the Organization's budgets for 1996-1997 and had affected the implementation of programmes and activities for the benefit of the developing countries. The adoption of a budget was essential for the operation of any organization, and GRULAC therefore appealed to Member States to make all necessary efforts to permit approval of the programme and budgets for 1996-1997.

61. While appreciating the Secretariat's endeavours in providing information on various scenarios allowing for different resource availability possibilities, GRULAC believed that no precedent should be created for non-fulfilment by States members of any organization of their international obligations. The information should rather be viewed as evidence that the Secretariat was prepared to deal with the consequences of shortfalls in expected income. As long as UNIDO's membership did not alter, the budget could not change.

62. GRULAC reiterated its support of conclusion 95/8 of the Programme and Budget Committee, and recommended that the Board approve the programme and budgets for 1996-1997 in accordance with that conclusion. It should be recalled that documents IDB.14/2 and Corr.1 respected the principle of zero real growth and provided for a budgetary allocation which accorded preference to substantive over administrative areas.

63. With regard to the unutilized balance from the biennium 1992-1993, GRULAC felt that, in view of the current difficult financial situation, financial regulation 4.2(b) and (c) should be suspended, as an exceptional measure, to give the Director-General the

necessary flexibility to proceed with the reforms and meet future needs as they arose.

64. **Mr. LI CHANGHE** (China) said that his delegation agreed in principle to the revised expenditure plan relating to the programme and budgets for the biennium 1996-1997. The current severe financial difficulties meant that there had to be a sharp cut in expenditure in 1996-1997. It was his delegation's understanding that efforts would be made to sustain the major technical cooperation activities as far as possible, while cutting administrative costs. His delegation supported that approach.

65. His delegation endorsed the Director-General's proposals regarding the use of the unutilized balances from 1992-1993 and his recommendations on the purpose for which they would be used.

66. It was the task of the resumed session to consider and adopt the expenditure plans and the programme and budgets for 1996-1997, as well as the use of the unutilized balances from 1992-1993, for submission to the General Conference. The Organization must adopt the programme and budgets in a timely manner and resolve the problem of contingency resources.

67. Approval of the expenditure plans for the 1996-1997 budgets did not imply acceptance of the late payment or non-payment of contributions by Member States. Member States should fulfil their obligations pursuant to the UNIDO Constitution and his delegation appealed to them to pay their contributions in a timely manner. With the support of the majority of Member States, the Organization would be able to overcome difficulties, continue to play a positive role and make new contributions to industrial development and economic and technical cooperation.

68. **Ms. LAJOUS** (Mexico), referring to the recent United Nations Fiftieth Anniversary celebrations, which had been marked by an appeal for more coordination and less bureaucratization in some specialized agencies, said that her delegation had called for the recognition of the value of those agencies, such as UNIDO, that fulfilled very useful functions.

69. Her delegation endorsed the remarks made by the observer for Uruguay on behalf of the GRULAC countries and reiterated the need to acknowledge the importance of UNIDO's role in the development of developing countries, as stressed by the meeting of Ministers of Industry of the Latin American region in September 1995. There were new opportunities and challenges for developing countries world-wide and UNIDO possessed the specialized services to help those countries to compete by means of growing technological and institutional support and greater specialization in industrial support services.

70. Mexico appealed to the international community to strengthen the United Nations system, as the main forum for dialogue and cooperation in a context of respect for international law. With a spirit of constructive dialogue, the Board could successfully conclude its work. Her delegation supported the approval of the programme and budgets for the biennium 1996-1997 in accordance with conclusion 95/8 of the Programme and Budget Committee.

71. The Mexican delegation was gratified by the action already taken to reform and revitalize UNIDO, but the process could succeed only if Member States fulfilled their financial obligations. Her delegation called on all Member States to honour their commitments, in full and on time. She announced that Mexico's arrears currently amounted to less than 7 per cent of its assessed contribution for 1995 and said that full payment would be made during November. It was a matter of concern that, as at 30 September 1995, the cumulative total of contributions outstanding exceeded $88 million and that only 87 Member States had paid their contributions, fully or in part, during 1995. Her delegation had noted with interest the Director-General's proposal to set up an open-ended working group to deal with the question of late payments.

72. It was also urgent and necessary that those Member States which could do so should make voluntary contributions.

73. In view of the current financial difficulties, her delegation fully supported the suspension of financial regulation 4.2(b) and (c) to permit the use of the unutilized balances for the biennium 1992-1993 and noted the Director-General's intention to establish a separation indemnity reserve.

74. **Mr. AKAO** (Japan) said that one of the main reasons for the meeting was that, though some unofficial information had been received since the June 1995 meeting, the status of payment by a major contributor remained unclear. The Board was obliged to discuss the programme and budgets for 1996-1997 and the expenditure plan on the basis of the information currently available. If there were any new developments, such as an official announcement of withdrawal, which would significantly affect UNIDO's programme and budgets, his delegation considered that it would be necessary, among other things, to reconvene the policy-making organs.

75. He noted, with regret, that only 52 of the 169 Member States had paid their assessed contribution in full, as at the end of September 1995, and that the accumulated unpaid contributions totalled $88 million. It was inexcusable that as many as 82 Member States had not paid any part of their assessed contributions. If Member States sincerely attached great importance to UNIDO's activities, as declared at regional meetings of Ministers of Industry and elsewhere, such support would be clearly matched by full payment of assessed contributions. Asking for reform and fulfilling financial obligations were two sides of the same coin, and Member States that were significantly in arrears were not in the best position to demand reform.

76. His delegation urged all Member States to fulfil their obligations as soon as possible and felt it essential to consider measures to accelerate payments. For example, receipt of UNIDO services could be made contingent on the fulfilment of a Member State's financial obligation.

77. In view of its leading role in the United Nations system, the failure of a major contributor to meet its financial and legal obligations could harm the relationship of mutual trust within the international community. He hoped that the contributor in question would agree to fulfil its obligation as soon as possible and continue its membership of UNIDO.

78. The absence of official information concerning payment by that contributor caused uncertainty that called into question the plausibility of the preliminary expenditure plans under consideration.

79. In document IDB.14/29 it was proposed that the expenditures be reduced by $28.8 million, to offset the expected shortfall in cash resources, by decreasing costs in administrative and non-substantive programmes and non-staff costs, by enforcing economic measures and by full implementation of organizational reform. His Government intended to keep a close watch on the cost-reduction process.

80. The proposal to merge country strategy and programme development activities with the mobilization and management of financial resources could affect both the relationship with donors and funds mobilization. There had been a significant decrease in convertible contributions to the Industrial Development Fund since 1992 and a slight increase in contributions to the Trust Fund. When Member States were finding it increasingly difficult to allocate resources to UNIDO, IDF's traditional fund-raising activities could not continue to be successful and should be reviewed. As an alternative, UNIDO should provide more service-oriented activities in order to meet the needs of donor and recipient Member States. The Government Funds Unit should therefore step up its efforts to coordinate and prioritize programmes and projects, in consultation and in closer communication with Member States. The Unit played an important role and should have adequate staff and resources. His delegation believed that the proposal for a "small focal point" in Programme 320 should be reconsidered.

81. In staff reduction, primary consideration for the retention of staff should be given to those Member States that had fulfilled their financial obligations to the Organization. Japan was one of those States and was seriously underrepresented on the Secretariat. His Government would find it extremely difficult to accept the loss of any Japanese staff members resulting from the expected non-payment or delayed payment of contributions by other Member States.

82. He expressed appreciation at some of the positive results that had been achieved in the ongoing reform process but believed that UNIDO's activities in all substantive divisions without exception should be more focused and prioritized. Japan would closely monitor the reform process and make its position on reform clear at the General Conference, after careful study of the final report.

83. The need to establish a separation indemnity reserve, as proposed by the Director-General in IDB.14/30, stemmed from the non-payment of assessed contributions. His Government had stated in the past and continued to be of the opinion that UNIDO should not repeatedly suspend financial regulations in order to employ an unutilized balance for other purposes. In principle, such funds should be reimbursed to the Member States that had paid their assessed contribution in full. However, his delegation recognized that large staff reductions were unavoidable and that the separation indemnity reserve therefore deserved consideration. It reluctantly accepted the use of the unutilized balance for that reserve, but only within the available cash resources. The volume of the reserve should be considered at the sixth session of the General Conference and the reserve should be used only for separation indemnities. His delegation would welcome more detailed information, including a breakdown of the posts to be eliminated in both the Professional and General Service categories, stating the amount of the reserve required for each.

ESTABLISHMENT OF AN INFORMAL, OPEN-ENDED CONSULTATION GROUP

84. **The PRESIDENT** noted that two draft decisions, contained in documents IDB.14/L.27 and IDB.14/L.28 were before the Board. She suggested that an informal, open-ended consultation group under the chairmanship of Mr. Al-Ghais (Kuwait) be set up to consider the possible preparation of a single agreed version.

85. *It was so agreed.*

The meeting rose at 1.10 p.m.